



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2035 (1955)

January 9, 190

SUBJECT: Leasing Farm Inventory Property

TO: State Directors, District Directors and
County Supervisors

ATTENTION: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify the policy and procedure for the management and leasing of Farmers Home Administration (FmHA) acquired farm inventory property. The intended outcome is to ensure that only properties where the lease would truly be in the Government's best interest will be approved.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 1834(1955) which expired on September 30, 1989.

IMPLEMENTATION RESPONSIBILITIES:

Section 1955.66 of FmHA Instruction 1955-B, states that leasing of farm inventory property can be used as a management tool when it is clearly in the best interest of the Government. This should be in the best financial interest of the Government. The State Director will make this determination on a case by case basis. Attachment 1 to this AN can be used as a guide in making this type of determination. Other similar guides may be developed by your State to analyze the cost/benefits associated with the leasing of FmHA farm inventory property.

THE ABOVE DETERMINATION DOES NOT APPLY IN THE FOLLOWING:

1. Parties who exercise their leaseback/buyback rights as set forth in Section 1951.911(a) of FmHA Instruction 1951-S.

EXPIRATION DATE: December 31, 1990

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1955-B



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

2. Parties who lease farm property in accordance with Section 1951.911(b) of FmHA Instruction 1951-S, dealing with the Homestead Protection Program.
3. Non-farm property or dwellings are not required to be evaluated as to leasing costs.
4. Renewal of existing leases which are not in the financial interest of the Government, may only be approved by the State Director. The reason for approval must be documented to show that renewal is essential, in order for the lessee to maintain a feasible operation for the ensuring crop year.

When it has been determined that a farm can be leased, the farm's availability must be advertised in accordance with Section 1955.66(i) of FmHA Instruction 1955-B. The County Supervisor will select the lessee of the farm property as outlined in Section 1955.66(C) of FmHA Instruction 1955-B.

Form FmHA 1955-20, "Lease of Real Property," or other forms approved by the Office of the General Counsel, will be used when entering into a lease of FmHA farm inventory property. FmHA will not allow the use of farm property without a signed and dated lease agreement.

Farm property will be leased for an amount which reflects the typical market rents for similar property in the area, which must be documented in the County Office Operational files. As a minimum, the average yield for each crop grown in the county, customary crop share and cash lease rates per acre for pasture and cropland must be well documented.

In addition, inventory farms leased on a crop share basis must include a certification that the County Supervisor has verified the yield and received the entitled share of the crop income. This will be documented in each individual inventory farm file.

The FmHA leasing official is responsible for ensuring that the agreed lease amount is promptly remitted by the lessee, and that the property is being operated in a manner consistent with the agreed upon lease covenants.



NEAL SOX JOHNSON
Acting Administrator

Attachment

INVENTORY FARM LEASE DETERMINATION WORKSHEET

This worksheet is to be used only to determine whether or not leasing an inventory farm is in the Government's best interest, as specified in FmHA Instruction 1955-B. All costs and income should be calculated on an annual basis.

Property ID# _____ Period of Lease _____
Formerly owned by: _____

A. ANTICIPATED INCOME FROM AGRICULTURAL LAND

1) crop acres _____ x rental rate/acre _____ = _____
2) percent crop _____ *estimated value _____ = _____
share
3) pasture units _____ x rental rate/unit _____ = _____
4) other _____ x rental rate/unit _____ = _____
describe other _____
5) TOTAL (A1+A2+A2+A3+A4) _____ = _____
*document on reverse

B. ESTIMATED GOVERNMENT LEASING COST

*1) Total Deficiency Payments _____
*2) Total Diversion Payments _____
3) Prorated Costs of Conservation Practices _____
4) Management Fees _____
5) Annual Land Maintenance _____
6) Other Costs/Fees _____
7) Total (B1+B2+B3+B4+B5+B6) _____

:C. ESTIMATED COSTS
: IF NOT LEASED
:1) Prorated Costs of Conservation Practices _____
:2) Annual Land Maintenance _____
:3) Management Fees _____
:4) TOTAL (C1+C2+C3) _____
:

*From Form CCC-4776, obtained from ASCS

D. SUMMARY

1) NET INCOME (A5-B7) _____ 2) COSTS IF NOT LEASED (C4) _____

_____ Line D1 is larger than D2, leasing is in the best financial interests of the Government.
_____ Line D2 is larger than D1, leasing will result in a net cost, the farm will not be leased.

Prepared by _____
name/title

Date _____